

**REBUTTAL TESTIMONY OF**  
**JAMES W. NEELY**  
**ON BEHALF OF**  
**SOUTH CAROLINA ELECTRIC & GAS COMPANY**  
**DOCKET NO. 2019-2-E**

1    **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A.            My name is James Neely and my business address is 220 Operation Way,  
3            Cayce, South Carolina.

4  
5    **Q.     ARE YOU THE SAME JAMES NEELY THAT OFFERED DIRECT**  
6            **TESTIMONY IN THIS DOCKET?**

7    A.            Yes I am.

8  
9    **Q.     WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10   A.            The purpose of my rebuttal testimony is to discuss the response of South  
11            Carolina Electric & Gas Company (“SCE&G” or the “Company”) to certain issues  
12            raised in 1) the direct testimony of Ms. Devi Glick filed on behalf of the South  
13            Carolina Coastal Conservation League and the Southern Alliance for Clean Energy  
14            (collectively, “CCL/SACE”); 2) the direct testimony of Mr. Tyler Norris filed on  
15            behalf of the South Carolina Solar Business Alliance (“SCSBA”); and 3) the direct

1 testimony of Mr. Brian Horii filed on behalf of the South Carolina Office of  
2 Regulatory Staff (“ORS”).

3  
4 **REBUTTAL TO TESTIMONY OF MS. DEVI GLICK**

5 **Q. WITH RESPECT TO MS. GLICK’S TESTIMONY, PLEASE EXPLAIN**  
6 **HOW YOU ORGANIZE YOUR RESPONSES.**

7 A. My rebuttal testimony sequentially addresses certain issues raised by Ms.  
8 Glick as they appear in her direct testimony.

9  
10 **Q. ON PAGE 3, LINE 16, MS. GLICK CLAIMS THAT SCE&G FAILED TO**  
11 **OPTIMIZE ITS RESOURCE PORTFOLIO WHEN USING THE**  
12 **DIFFERENCE IN REVENUE REQUIREMENT (“DRR”)**  
13 **METHODOLOGY AS REQUIRED BY FEDERAL LAW. DO YOU**  
14 **AGREE?**

15 A. No. Ms. Glick overstates the requirements of FERC Order 69 by claiming  
16 that the order requires the use of optimization modeling. FERC Order 69 defines  
17 “Optimal Capacity Expansion Plan” as the schedule for the addition of new  
18 generating and transmission facilities which, based on an examination of capital,  
19 fuel and operating and maintenance costs, will meet a utility’s projected load  
20 requirements at the lowest total cost. The plan that SCE&G chose for calculating  
21 avoided energy cost was the least cost of the 19 scenarios modeled while also  
22 meeting the requirements of FERC Order 69. In summary, the methodology used

1 by SCE&G provides optimal results for its resource planning and fully meets the  
2 standards of FERC Order 69.

3  
4 **Q. ON PAGE 3, LINE 18, MS. GLICK CLAIMS THAT SCE&G FAILED TO**  
5 **DEMONSTRATE AN UNDERSTANDING OF ITS OWN FUTURE**  
6 **CAPACITY NEEDS. DO YOU AGREE?**

7 A. No. SCE&G's need for capacity, like other utilities in the southeast, has been  
8 changing since the great recession of 2008. Since 2008, SCE&G has experienced  
9 reductions in its projections for demand and energy, resulting in changing needs  
10 for capacity. This reduction may be observed in Ms. Glick's Figures 1 and 2. In  
11 addition, the two nuclear power plants that were abandoned in 2017 were, until the  
12 2018 Integrated Resource Plan ("IRP"), included in the Company's IRP as future  
13 base load capacity to meet demand on SCE&G's system. However, the mere fact  
14 that the need for capacity and the resources required to meet that need have been  
15 changing over time does not reflect a lack of understanding of the need. In fact, the  
16 opposite is true. The Company's careful analysis of these changes and its planning  
17 to meet the future demand for energy and capacity is clearly demonstrated in the  
18 Company's IRPs for 2015 through 2019 as well as in its IRPs from prior years.

1   **Q.     ON PAGES 10 THROUGH 13, MS. GLICK CLAIMS THAT SCE&G’S**  
2       **RESOURCE PLAN IS UNACCEPTABLE BECAUSE A RETIREMENT**  
3       **ANALYSIS WAS NOT CONDUCTED. DO YOU AGREE?**

4   **A.**       No. The need to conduct formal studies of plant retirements is driven  
5       primarily by major issues at the plants or a change in regulations such as the Cross-  
6       State Air Pollution Rule (“CSAPR”). CSAPR caused SCE&G to retire three coal  
7       units in 2013 and convert three others to run on only natural gas after April 2015.  
8       SCE&G’s coal and gas-steam fleet operates very reliably as can be seen from  
9       SCE&G witness Delk’s testimony and are needed to meet existing and projected  
10      demand and energy forecasts. Further, while Ms. Glick acknowledges that SCE&G  
11      considered retirements in two of the 19 resource planning scenarios evaluated in its  
12      2019 IRP, she expresses the view, without any evidence to support it, that a different  
13      evaluation may have produced a more favorable outcome for the retirement  
14      scenarios. However, the Company’s careful analysis of the 19 scenarios supports  
15      the conclusion that the retirement scenarios were more costly to SCE&G’s  
16      customers and that therefore it would not be prudent to retire any of its current coal  
17      and gas-steam fleet in the near future.

1   **Q.       ON PAGE 16, LINE 9, MS. GLICK CLAIMS THAT SCE&G IS BUILDING**  
2       **GENERATION TO MEET A 21% WINTER RESERVE MARGIN. DO YOU**  
3       **AGREE?**

4   A.           No. SCE&G's expansion plan adds generation to meet a 14% winter reserve  
5       margin and a 12% summer reserve margin. The winter demand is the constraining  
6       factor and drives the need to build new capacity. However, in its current planning,  
7       SCE&G anticipates that the DSM potential study, which Ms. Glick mentioned on  
8       pages 4, 17, and 18 of her testimony, will identify cost effective programs to help  
9       meet these winter peaks above the 14% base reserve margin, but it is inaccurate to  
10      assert that SCE&G is currently planning to build generation to meet a 21% winter  
11      reserve margin.

12  
13   **Q.       ON PAGE 18, LINES 13-17, MS. GLICK STATES THAT SOLAR HAS**  
14       **CAPACITY VALUE AND SHOULD BE PAID A CAPACITY PAYMENT**  
15       **BASED ON THE DRR METHOD OR THE PEAKER METHOD. DO YOU**  
16       **AGREE?**

17   A.           No. The relevant question is not whether solar has value but whether it  
18       enables SCE&G to avoid capacity related costs on its system. SCE&G's capacity  
19       need is driven by winter peaks that typically occur before the sun rises or after it  
20       sets. Solar provides no reliable capacity at the time of the winter peaks and as such  
21       does not avoid any future capacity. Therefore the avoided capacity value of solar  
22       is zero.

**REBUTTAL TO TESTIMONY OF MR. NORRIS**

**Q. WITH RESPECT TO MR. NORRIS' TESTIMONY, PLEASE EXPLAIN HOW YOU ORGANIZE YOUR RESPONSES.**

A. In the same manner I responded to Ms. Glick's testimony, my rebuttal testimony sequentially addresses certain issues raised by Mr. Norris as they appear in his direct testimony.

**Q. ON PAGES 11 THROUGH 15, MR. NORRIS CLAIMS THAT SCE&G'S AVOIDED COST METHODOLOGY IS FLAWED. DO YOU AGREE?**

A. No. Mr. Norris argues that SCE&G's avoided cost methodology is flawed as evidenced by its low avoided cost rates. Mr. Norris further argues that SCE&G's avoided cost rates are too low based upon his observation that different utilities have higher avoided costs. However, Mr. Norris totally ignores or fails to consider differences among SCE&G's system and those of the other utilities he selected for comparison. However, PURPA makes clear that SCE&G's avoided cost should be calculated based on its own energy and/or capacity costs and not those of some other utility. PURPA regulations define "avoided costs" as "the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source." 18 C.F.R. § 292.101(b)(6). SCE&G calculated its avoided cost based upon the specific characteristics of its

1 system and those are the avoided costs that the Company believes should be  
2 approved in this proceeding.

3  
4 **Q. ON PAGE 16, LINE 22, THROUGH PAGE 17, LINE 2, MR. NORRIS**  
5 **STATES THAT “IF AVOIDED COSTS RATES ARE SET HIGHER THAN**  
6 **THE COSTS A UTILITY WOULD ACTUALLY AVOID BY PURCHASING**  
7 **ENERGY AND CAPACITY FROM A QF, THEN THE QFS ARE OVER-**  
8 **INCENTIVIZED AND RATEPAYERS WILL END UP PAYING TOO**  
9 **MUCH FOR THEIR OUTPUT.” DO YOU AGREE?**

10 A. Yes.

11  
12 **REBUTTAL TO TESTIMONY OF MR. HORII**

13 **Q. WITH RESPECT TO MR. HORII’S TESTIMONY, PLEASE EXPLAIN**  
14 **HOW YOU ORGANIZE YOUR RESPONSES.**

15 A. My rebuttal testimony addresses one issue raised by Mr. Horii and I direct  
16 the Commission’s attention to the pages and line numbers where the issue I address  
17 is discussed.

1   **Q.     ON PAGE 17, LINE 19, THROUGH PAGE 18, LINE 4, MR. HORII**  
2       **ASSERTS THAT NON-SOLAR PR-1 RESOURCES SHOULD RECEIVE A**  
3       **CAPACITY PAYMENT. DO YOU AGREE?**

4   A.       No. Currently SCE&G has no non-solar PR-1 resources. The maximum  
5       capacity of a PR-1 resource is 100 KW. If the average size of future PR-1 non-solar  
6       resources are similar in size to existing PR-1 solar customers, then it will take 60  
7       PR-1 non-solar customers to exceed 1 MW and that's not enough capacity to avoid  
8       any future capacity needed on SCE&G's system.

9  
10   **Q.     DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11   A.       Yes.